

Message Text

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S E C R E T KUWAIT 3018

EO 11652: GDS

TAGS: OVIP (SIMON, WILLIAM E.)

SUBJ: SUGGESTED SCENARIO FOR SECRETARY SIMON TALKS WITH KUWAITI
MINFINANCE & OIL ATEEQI

REF: KUWAIT 2986, PARA 2 (NOTAL)

1. GIVEN FACT THAT GULF AND BP HAVE MET KUWAIT'S PRICE ON BUY-BACK OIL (KUWAIT 3013), AND CONSIDERING THAT IRAN IS STILL HOLDING FIRM ON PRICE, I BELIEVE THERE NO RPT NO POINT AT THIS PARTICULAR TIME IN MAKING MAJOR EFFORT TO GET KUWAITIS TO REDUCE OIL PRICES AND/OR RAISE PRODUCTION. WE CONTINUE TO BELIEVE THAT, IN THIS ELECTION YEAR IN KUWAIT AND WITH GOK HAVING DRAWN DOWN ITS POLITICAL CREDIT GREATLY IN PUSHING 60-40 PARTICIPATION THROUGH REBELLIOUS NATIONAL ASSEMBLY, MINISTER FINANCE AND OIL MIGHT VERY WELL NOT HAVE ABILITY - EVEN IF HE HAS WILL - TO TAKE MODERATE LINE ON PRICES. WE CANNOT EXPECT KUWAITIS TO BE WILLING TO MOVE OUT IN FRONT OF IRAN AND OTHERS IN OPEC FACTION WHO ARE PUSHING TO KEEP PRICES UP.

2. REGARDING PRODUCTION, ATEEQI PERSONALLY FEELS THAT KUWAIT HAS MORAL OBLIGATION TO WORLD TO MAINTAIN PRODUCTION. HE HAS

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BEEN IN FOREFRONT GOK EFFORTS PREVENT NATIONAL ASSEMBLY FROM

LEGISLATING 1.5 MILLION BPD OIL PRODUCTION FIGURE. HOWEVER HE ALSO FEELS STRONG CONCERN OVER FACT THAT PETROLEUM IS WASTING ASSET. IF SAUDI ARABIA INCREASES PRODUCTION SIGNIFICANTLY, OR IF GAP BETWEEN WORLD SUPPLY AND DEMAND CONTINUES TO GROW, HE WILL FEEL MORE VULNERABLE TO THE SEVERAL INTERNAL PRESSURES TO LOWER KUWAIT'S PRODUCTION LEVEL.

3. TO GO BACK TO GENESIS OF THIS TRIP, A PRIME REASON FOR INCLUDING KUWAIT ON TRIP IS OUR BELIEF IT IS TO US INTEREST TO ASSURE KUWAITIS THEY ARE AN IMPORTANT OIL AND FINANCIAL FACTOR IN US CALCULATIONS. BELIEVE WE SHOULD MAKE THIS POINT AND THEN GO ON TO SUBJECTS WHERE AREAS OF MUTUAL ADVANTAGE AND AGREEMENT MIGHT BE FOUND.

4. AS WE SEE IT FROM HERE, SCENARIO FOR SECRETARY SIMON'S TALKS MIGHT BE:

A. SETTING FORTH OUR VIEWS ON PRICE AND PRODUCTION AND DANGERS OF OVER PRICING.

B. LISTENING TO KUWAITI VIEWS.

C. AGREEMENT TO DISAGREE. THAT IS, HAVING PRESENTED OUR CASE AND DEMONSTRATED OUR WILLINGNESS TO LISTEN TO KUWAITI VIEWS, WE WILL HAVE DONE WHAT WE CAN. FACT IS WE SIMPLY CANNOT AGREE, AND FOR PURPOSES OF SEC SIMON'S VISIT HERE, SHOULD LEAVE MATTER THERE AT THIS TIME. (KUWAITIS KNOW PERFECTLY WELL WE WILL SUBSEQUENTLY BE TAKING THOSE STEPS WE FEEL NECESSARY TO PROTECT OUR INTERESTS.)

D. PROCEED ON IN TALKS TO AREAS IN FINANCE, INVESTMENT, RECYCLING OF FUNDS, ALTERNATE SOURCES OF ENERGY, ETC. PURPOSE OF THIS LAST PHASE IS TO (1) SEEK REAL WAYS OF CHANNELING KUWAITI FINANCIAL SURPLUSES TO MUTUAL ADVANTAGE, (2) ESTABLISH NOTION IN KUWAITI MINDS THAT WE HAVE ENTERED INTO DIALOGUE WITH KUWAITIS ON MONEY AS WELL AS OIL MATTERS AND WANT TO CONTINUE IT, (3) END TALKS ON POSITIVE NOTE, AND (4) DEMONSTRATE THAT TOP US OFFICIAL CAME TO KUWAIT PRECISELY BECAUSE US CONSIDERS KUWAIT AN IMPORTANT COUNTRY TO TALK TO, EVEN IF WE DO NOT AGREE WITH EACH OTHER ON CERTAIN IMPORTANT MATTERS.

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